Capital, Volumes 1, 2 and 3, reading texts

Introduction to Karl Marx's Wage Labor and Capital (1847)

on its re-publication in 1891 following Marx's death in 1883

by Frederick Engels

This pamphlet first appeared in the form of a series of leading articles in the Neue Rheinische Zeitung, beginning on April 4th, 1849. The text is made up of from lectures delivered by Marx before the German Workingmen's Club of Brussels in 1847. The series was never completed. The promise "to be continued", at the end of the editorial in Number 269 of the newspaper, remained unfulfilled in consequence of the precipitous events of that time: the invasion of Hungary by the Russians, and the uprisings in Dresden, Iserlohn, Elberfeld, the Palatinate, and in Baden, which led to the suppression of the paper on May 19th, 1849. And among the papers left by Marx no manuscript of any continuation of these articles has been found.

"Wage-Labor and Capital" has appeared as an independent publication in several editions, the last of which was issued by the Swiss Co-operative Printing Association, in Hottingen-Zurich, in 1884. Hitherto, the several editions have

contained the exact wording of the original articles. But since at least 10,000 copies of the present edition are to be circulated as a propaganda tract, the question necessarily forced itself upon me, **would Marx himself, under these circumstance, have approved of an unaltered literal reproduction of the original?**

Marx, in the '40s, had not yet completed his criticism of political economy. This was not done until toward the end of the fifties. Consequently, such of his writings as were published before the first installment of his Critique of Political Economy was finished, deviate in some points from those written after 1859, and contain expressions and whole sentences which, viewed from the standpoint of his later writings, appear inexact, and even incorrect. Now, it goes without saying that in ordinary editions, intended for the public in general, this earlier standpoint, as a part of the intellectual development of the author, has its place; that the author as well as the public, has an indisputable right to an unaltered reprint of these older writings. In such a case, I would not have dreamed of changing a single word in it. But it is otherwise when the edition is destined almost exclusively for the purpose of propaganda. In such a case, Marx himself would unquestionably have brought the old work, dating from 1849, into harmony with his new point of view, and I feel sure that I am acting in his spirit when I insert in this edition the few changes and additions which are necessary in order to attain this object in all essential point.

Therefore, I say to the reader at once: this pamphlet is not as Marx wrote it in 1849, but approximately as Marx would have written it in 1891. Moreover, so many copies of the original text are in circulation, that these will suffice until I can publish it again unaltered in a complete edition of Marx's works, to appear at some future time.

My alterations centre about one point. According to the original reading, the worker sells his labor for wages, which he receives from the capitalist; according to the present text, he sells his labor-power. And for this change, I must render an explanation: to the workers, in order that they may understand that we are not quibbling or word-juggling, but are dealing here with **one of the most important points in the whole range of political economy**; to the bourgeois, in order that they may convince themselves how greatly the uneducated workers, who can be easily made to grasp the most difficult economic analyses, excel our supercilious "cultured" folk, for whom such ticklish problems remain insoluble their whole life long.

Classical political economy borrowed from the industrial practice the current notion of the manufacturer, that he buys and pays for the labor of his employees. This conception had been quite serviceable for the business purposes of the manufacturer, his bookkeeping and price calculation. But naively carried over into political economy, it there produced truly wonderful errors and confusions.

Political economy finds it an established fact that the prices of all commodities, among them the price of the commodity which it calls "labor", continually change; that they rise and fall in consequence of the most diverse circumstances, which often have no connection whatsoever with the production of the commodities themselves, so that prices appear to be determined, as a rule, by pure chance. As soon, therefore, as political economy stepped forth as a science, it was one of its first tasks to search for the law that hid itself behind this chance, which apparently determined the prices of commodities, and which in reality controlled this very chance. Among the prices of commodities, fluctuating and oscillating, now upward, now downward, the fixed central point was searched for around which these fluctuations and oscillations were taking place. In short, starting from the price of commodities, political economy sought for the value of commodities as the regulating law, by means of which all price fluctuations could be explained, and to which they could all be reduced in the last resort.

And so, classical political economy found that the value of a commodity was determined by the labor incorporated in it and requisite to its production. With this explanation, it was satisfied. And we, too, may, for the present, stop at this point. But, to avoid misconceptions, I will remind the reader that today this explanation has become wholly inadequate. Marx was the first to investigate thoroughly into the value-forming quality of labor and to discover that not all labor which is apparently, or even really, necessary to the production of a commodity, imparts under all circumstances to this commodity a magnitude of value corresponding to the quantity of labor used up. If, therefore, we say today in short, with economists like Ricardo, that the value of a commodity is determined by the labor necessary to its production, we always imply the reservations and restrictions made by Marx. Thus much for our present purpose; further information can be found in Marx's Critique of Political Economy, which appeared in 1859, and **in the first volume of Capital.**

But, as soon as the economists applied this determination of value by labor to the commodity "labor", they fell from one contradiction into another. How is the value of "labor" determined? By the necessary labor embodied in it. But how much labor is embodied in the labor of a laborer of a day a week, a month, a year. If labor is the measure of all values, we can express the "value of labor" only in labor. But we know absolutely nothing about the value of an hour's labor, if all that we know about it is that it is equal to one hour's labor. So, thereby, we have not advanced one hair's breadth nearer our goal; we are constantly turning about in a circle.

Classical economics, therefore, essayed another turn. It said: the value of a commodity is equal to its cost of production. But, what is the cost of production of "labor"? In order to answer this question, the economists are forced to strain logic just a little. Instead of investigating the cost of production of labor itself, which, unfortunately, cannot be ascertained, they now investigate the cost of production of the laborer. And this latter can be ascertained. It changes according to time and

circumstances, but for a given condition of society, in a given locality, and in a given branch of production, it, too, is given, at least within quite narrow limits. We live today under the regime of capitalist production, under which a large and steadily growing class of the population can live only on the condition that it works for the owners of the means of production -- tools, machines, raw materials, and means of subsistence -- in return for wages. On the basis of this mode of production, the laborer's cost of production consists of the sum of the means of subsistence (or their price in money) which on the average are requisite to enable him to work, to maintain in him this capacity for work, and to replace him at his departure, by reason of age, sickness, or death, with another laborer -- that is to say, to propagate the working class in required numbers.

Let us assume that the money price of these means of subsistence averages 3 shillings a day. Our laborer gets, therefore, a daily wage of 3 shillings from his employer. For this, the capitalist lets him work, say, 12 hours a day. Our capitalist, moreover, calculates somewhat in the following fashion: Let us assume that our laborer (a machinist) has to make a part of a machine which he finishes in one day. The raw material (iron and brass in the necessary prepared form) costs 20 shillings. The consumption of coal by the steam-engine, the wear-and-tear of this engine itself, of the turning-lathe, and of the other tools with which our laborer works, represent, for one day and one laborer, a value of 1 shilling. The wages for one day are, according to our assumption, 3 shillings. This makes a total of 24 shillings for our piece of a machine.

But, the capitalist calculates that, on an average, he will receive for it a price of 27 shillings from his customers, or 3 shillings over and above his outlay.

Whence do the 3 shillings pocketed by the capitalist come? According to the assertion of classical political economy, commodities are in the long run sold at their values, that is, they are sold at prices which correspond to the necessary quantities of labor contained in them. The average price of our part of a machine -- 27 shillings -- would therefore equal its value, i.e., equal the amount of labor embodied in it. But, of these 27 shillings, 21 shillings were values were values already existing before the machinist began to work; 20 shillings were contained in the raw material, 1 shilling in the fuel consumed during the work and in the machines and tools used in the process and reduced in their efficiency to the value of this amount. There remains 6 shillings, which have been added to the value of the raw material. But, according to the supposition of our economists, themselves, these 6 shillings can arise only from the labor added to the raw material by the laborer. His 12 hours' labor has created, according to this, a new value of 6 shillings. Therefore, the value of his 12 hours' labor would be equivalent to 6 shillings. So we have at last discovered what the "value of labor" is.

"Hold on there!" cries our machinist. "Six shillings? But I have received only 3 shillings! My capitalist swears high and day that the value of my 12 hours' labor is

no more than 3 shillings, and if I were to demand 6, he'd laugh at me. What kind of a story is that?"

If before this we got with our value of labor into a vicious circle, we now surely have driven straight into an insoluble contradiction. We searched for the value of labor, and we found more than we can use. For the laborer, the value of the 12 hours' labor is 3 shillings; for the capitalist, it is 6 shillings, of which he pays the workingman 3 shillings as wages, and pockets the remaining 3 shilling himself. According to this, labor has not one but two values, and, moreover, two very different values!

As soon as we reduce the values, now expressed in money, to labor-time, the contradiction becomes even more absurd. By the 12 hours' labor, a new value of 6 shillings is created. Therefore, in 6 hours, the new value created equals 3 shilling -- the mount which the laborer receives for 12 hours' labor. For 12 hours' labor, the workingman receives, as an equivalent, the product of 6 hours' labor. We are, thus, forced to one of two conclusions: either labor has two values, one of which is twice as large as the other, or 12 equals 6! In both cases, we get pure absurdities. Turn and twist as we may, we will not get out of this contradiction as long as we speak of the buying and selling of "labor" and of the "value of labor". And just so it happened to the political economists. The last offshoot of classical political economy -- the Ricardian school -- was largely wrecked on the insolubility of this contradiction. **Classical political economy had run itself into a blind alley. The man who discovered the way out of this blind alley was Karl Marx.**

What the economists had considered as the cost of production of "labor" was really the cost of production, not of "labor", but of the living laborer himself. And what this laborer sold to the capitalist was not his labor.

"So soon as his labor really begins," says Marx, "it ceases to belong to him, and therefore can no longer be sold by him."

At the most, he could sell his future labor -- i.e., assume the obligation of executing a certain piece of work in a certain time. But, in this way, he does not sell labor (which would first have to be performed), but not for a stipulated payment he places his labor-power at the disposal of the capitalist for a certain time (in case of time-wages), or for the performance of a certain task (in case of piece-wages). He hires out or sells his labor-power. But this labor-power has grown up with his person and is inseparable from it. Its cost of production, therefore, coincides with his own cost of production; what the economist called the cost of production of labor is really the cost of production of the laborer, and therewith of his labor-power. And, thus, we can also go back from the cost of production of labor-power to the value of labor-power, and determine the quantity of social labor that is required for the production of a labor-power of a given quantity, as Marx has done in the chapter on "The Buying and Selling of Labor Power". [Capital, Vol.I]

Now what takes place after the worker has sold his labor-power, i.e., after he has placed his labor-power at the disposal of the capitalist for stipulated-wages -- whether time-wages or piece-wages? The capitalist takes the laborer into his workshop or factory, where all the articles required for the work can be found -- raw materials, auxiliary materials (coal, dyestuffs, etc.), tools, and machines. Here, the worker begins to work. His daily wages are, as above, 3 shillings, **and it makes no difference whether he earns them as day-wages or piece-wages.** We again assume that in 12 hours the worker adds by his labor a new value of 6 shillings to the value of the raw materials consumed, which new value the capitalist realizes by the sale of the finished piece of work. Out of this new value, he pays the worker his 3 shillings, and the remaining 3 shillings he keeps for himself. If, now, the laborer creates in 12 hours a value of 6 shilling, in 6 hours he creates a value of 3 shillings. Consequently, after working 6 hours for the capitalist, the laborer has returned to him the equivalent of the 3 shillings received as wages. After 6 hours' work, both are quits, neither one owing a penny to the other.

"Hold on there!" now cries out the capitalist. "I have hired the laborer for a whole day, for 12 hours. But 6 hours are only half-a-day. So work along lively there until the other 6 hours are at an end -- only then will we be even." And, in fact, the laborer has to submit to the conditions of the contract upon which he entered of "his own free will", and according to which he bound himself to work 12 whole hours for a product of labor which cost only 6 hours' labor.

Similarly with piece-wages. Let us suppose that in 12 hours our worker makes 12 commodities. Each of these costs a shilling in raw materials and wear-and-tear, and is sold for 2.5 shillings. On our former assumption, the capitalist gives the laborer .25 of a shilling for each piece, which makes a total of 3 shillings for 12 pieces. To earn this, the worker requires 12 hours. The capitalist receives 30 shillings for the 12 pieces; deducting 24 shillings for raw materials and wear-and-tear, there remains 6 shillings, of which he pays 3 shillings in wages and pockets the remaining 3. Just as before! Here, also, the worker labors 6 hours for himself -- i.e., to replace his wages (half-an-hour in each of the 12 hours), and 6 hours for the capitalist.

The rock upon which the best economists were stranded, as long as they started out from the value of labor, vanishes as soon as we make our starting-point the value of labor-power. Labor-power is, in our present-day capitalist society, a commodity like every other commodity, but yet a very peculiar commodity. It has, namely, the peculiarity of being a value-creating force, the source of value, and, moreover, when properly treated, the source of more value than it possesses itself. In the present state of production, human labor-power not only produces in a day a greater value than it itself possesses and costs; but with each new scientific discovery, with each new technical invention, there also rises the surplus of its daily production over its daily cost, while as a consequence there diminishes that part of the working-day in which the laborer produces the equivalent of his day's wages,

and, on the other hand, lengthens that part of the working-day in which he must present labor gratis to the capitalist.

And this is the economic constitution of our entire modern society: the working class alone produces all values. For value is only another expression for labor, that expression, namely, by which is designated, in our capitalist society of today, the amount of socially necessary labor embodied in a particular commodity. But, these values produced by the workers do not belong to the workers. They belong to the owners of the raw materials, machines, tools, and money, which enable them to buy the labor-power of the working class. Hence, the working class gets back only a part of the entire mass of products produced by it. And, as we have just seen, the other portion, which the capitalist class retains, and which it has to share, at most, only with the landlord class, is increasing with every new discovery and invention, while the share which falls to the working class (per capita) rises but little and very slowly, or not at all, and under certain conditions it may even fall.

But, these discoveries and inventions which supplant one another with ever-increasing speed, this productiveness of human labor which increases from day to day to unheard-of proportions, at last gives rise to a conflict, in which present capitalistic economy must go to ruin. On the one hand, immeasurable wealth and a superfluidity of products with which the buyers cannot cope. On the other hand, the great mass of society proletarianized, transformed into wage-laborers, and thereby disabled from appropriating to themselves that superfluidity of products. The splitting up of society into a small class, immoderately rich, and a large class of wage-laborers devoid of all property, brings it about that this society smothers in its own superfluidity, while the great majority of its members are scarcely, or not at all, protected from extreme want.

This condition becomes every day more absurd and more unnecessary. It must be gotten rid of; it can be gotten rid of. A new social order is possible, in which the class differences of today will have disappeared, and in which -- perhaps after a short transition period, which, though somewhat deficient in other respects, will in any case be very useful morally -- there will be the means of life, of the enjoyment of life, and of the development and activity of all bodily and mental faculties, through the systematic use and further development of the enormous productive powers of society, which exists with us even now, with equal obligation upon all to work. And that the workers are growing ever more determined to achieve this new social order will be proven on both sides of the ocean on this dawning May Day, and on Sunday, May 3rd.

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London, April 30, 1891.

From: http://www.marxists.org/archive/marx/works/1847/wage-labour/intro.htm

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Karl Marx, 1867, Capital Volume One, Part I: Commodities and Money

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Chapter 1: Commodities

Section 2 - The Two-fold Character of the Labour Embodied in Commodities

At first sight a commodity presented itself to us as a complex of two things: use-value and exchange-value. Later on, we saw also that labour, too, possesses the same two-fold nature; for, so far as it finds expression in value, it does not possess the same characteristics that belong to it as a creator of use-values. I was the first to point out and to examine critically this two-fold nature of the labour contained in commodities. As this point is the pivot on which a clear comprehension of Political Economy turns, we must go more into detail.

Let us take two commodities such as a coat and 10 yards of linen, and let the former be double the value of the latter, so that, if 10 yards of linen = W, the coat = 2W.

The coat is a use-value that satisfies a particular want. Its existence is the result of a special sort of productive activity, the nature of which is determined by its aim, mode of operation, subject, means, and result. The labour, whose utility is thus

represented by the value in use of its product, or which manifests itself by making its product a use-value, we call useful labour In this connexion we consider only its useful effect.

As the coat and the linen are two qualitatively different use-values, so also are the two forms of labour that produce them, tailoring and weaving. Were these two objects not qualitatively different, not produced respectively by labour of different quality, they could not stand to each other in the relation of commodities. Coats are not exchanged for coats, one use-value is not exchanged for another of the same kind.

To all the different varieties of values in use there correspond as many different kinds of useful labour, classified according to the order, genus, species, and variety to which they belong in the social division of labour. This division of labour is a necessary condition for the production of commodities, but it does not follow, conversely, that the production of commodities is a necessary condition for the division of labour. In the primitive Indian community there is social division of labour, without production of commodities. Or, to take an example nearer home, in every factory the labour is divided according to a system, but this division is not brought about by the operatives mutually exchanging their individual products. Only such products can become commodities with regard to each other, as result from different kinds of labour, each kind being carried on independently and for the account of private individuals.

To resume, then: In the use-value of each commodity there is contained useful labour, *i.e.*, productive activity of a definite kind and exercised with a definite aim. Use-values cannot confront each other as commodities, unless the useful labour embodied in them is qualitatively different in each of them. In a community, the produce of which in general takes the form of commodities, *i.e.*, in a community of commodity producers, this qualitative difference between the useful forms of labour that are carried on independently of individual producers, each on their own account, develops into a complex system, a social division of labour.

Anyhow, whether the coat be worn by the tailor or by his customer, in either case it operates as a use-value. Nor is the relation between the coat and the labour that produced it altered by the circumstance that tailoring may have become a special trade, an independent branch of the social division of labour. Wherever the want of clothing forced them to it, the human race made clothes for thousands of years, without a single man becoming a tailor. But coats and linen, like every other element of material wealth that is not the spontaneous produce of Nature, must invariably owe their existence to a special productive activity, exercised with a definite aim, an activity that appropriates particular nature-given materials to particular human wants. So far therefore as labour is a creator of use-value, is

useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no life.

The use-values, coat, linen, &c., *i.e.*, the bodies of commodities, are combinations of two elements — matter and labour. If we take away the useful labour expended upon them, a material substratum is always left, which is furnished by Nature without the help of man. The latter can work only as Nature does, that is by changing the form of matter. [13] Nay more, in this work of changing the form he is constantly helped by natural forces. We see, then, that labour is not the only source of material wealth, of use-values produced by labour. As William Petty puts it, labour is its father and the earth its mother.

Let us now pass from the commodity considered as a use-value to the value of commodities.

By our assumption, the coat is worth twice as much as the linen. But this is a mere quantitative difference, which for the present does not concern us. We bear in mind, however, that if the value of the coat is double that of 10 yds. of linen, 20 yds. of linen must have the same value as one coat. So far as they are values, the coat and the linen are things of a like substance, objective expressions of essentially identical labour. But tailoring and weaving are, qualitatively, different kinds of labour. There are, however, states of society in which one and the same man does tailoring and weaving alternately, in which case these two forms of labour are mere modifications of the labour of the same individual, and no special and fixed functions of different persons, just as the coat which our tailor makes one day, and the trousers which he makes another day, imply only a variation in the labour of one and the same individual. Moreover, we see at a glance that, in our capitalist society, a given portion of human labour is, in accordance with the varying demand, at one time supplied in the form of tailoring, at another in the form of weaving. This change may possibly not take place without friction, but take place it must.

Productive activity, if we leave out of sight its special form, viz., the useful character of the labour, is nothing but the expenditure of human labour-power. Tailoring and weaving, though qualitatively different productive activities, are each a productive expenditure of human brains, nerves, and muscles, and in this sense are human labour. They are but two different modes of expending human labour-power. Of course, this labour-power, which remains the same under all its modifications, must have attained a certain pitch of development before it can be expended in a multiplicity of modes. But the value of a commodity represents human labour in the abstract, the expenditure of human labour in general. And just as in society, a general or a banker plays a great part, but mere man, on the other hand, a very

shabby part, [14] so here with mere human labour. It is the expenditure of simple labour-power, *i.e.*, of the labour-power which, on an average, apart from any special development, exists in the organism of every ordinary individual. Simple average labour, it is true, varies in character in different countries and at different times, but in a particular society it is given. Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone. [15] The different proportions in which different sorts of labour are reduced to unskilled labour as their standard. are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom. For simplicity's sake we shall henceforth account every kind of labour to be unskilled, simple labour; by this we do no more than save ourselves the trouble of making the reduction.

Just as, therefore, in viewing the coat and linen as values, we abstract from their different use-values, so it is with the labour represented by those values: we disregard the difference between its useful forms, weaving and tailoring. As the use-values, coat and linen, are combinations of special productive activities with cloth and yarn, while the values, coat and linen, are, on the other hand, mere homogeneous congelations of undifferentiated labour, so the labour embodied in these latter values does not count by virtue of its productive relation to cloth and yarn, but only as being expenditure of human labour-power. Tailoring and weaving are necessary factors in the creation of the use-values, coat and linen, precisely because these two kinds of labour are of different qualities; but only in so far as abstraction is made from their special qualities, only in so far as both possess the same quality of being human labour, do tailoring and weaving form the substance of the values of the same articles.

Coats and linen, however, are not merely values, but values of definite magnitude, and according to our assumption, the coat is worth twice as much as the ten yards of linen. Whence this difference in their values? It is owing to the fact that the linen contains only half as much labour as the coat, and consequently, that in the production of the latter, labour-power must have been expended during twice the time necessary for the production of the former.

While, therefore, with reference to use-value, the labour contained in a commodity counts only qualitatively, with reference to value it counts only quantitatively, and must first be reduced to human labour pure and simple. In the former case, it is a question of How and What, in the latter of How much? How long a time? Since the magnitude of the value of a commodity represents only the quantity of labour

embodied in it, it follows that all commodities, when taken in certain proportions, must be equal in value.

If the productive power of all the different sorts of useful labour required for the production of a coat remains unchanged, the sum of the values of the coats produced increases with their number. If one coat represents x days' labour, two coats represent 2x days' labour, and so on. But assume that the duration of the labour necessary for he production of a coat becomes doubled or halved. In the first case one coat is worth as much as two coats were before; in the second case, two coats are only worth as much as one was before, although in both cases one coat renders the same service as before. and the useful labour embodied in it remains of the same quality. But the quantity of labour spent on its production has altered.

An increase in the quantity of use-values is an increase of material wealth. With two coats two men can be clothed, with one coat only one man. Nevertheless, an increased quantity of material wealth may correspond to a simultaneous fall in the magnitude of its value. This antagonistic movement has its origin in the two-fold character of labour. Productive power has reference, of course, only to labour of some useful concrete form, the efficacy of any special productive activity during a given time being dependent on its productiveness. Useful labour becomes, therefore, a more or less abundant source of products, in proportion to the rise or fall of its productiveness. On the other hand, no change in this productiveness affects the labour represented by value. Since productive power is an attribute of the concrete useful forms of labour, of course it can no longer have any bearing on that labour, so soon as we make abstraction from those concrete useful forms. However then productive power may vary, the same labour, exercised during equal periods of time, always yields equal amounts of value. But it will yield, during equal periods of time, different quantities of values in use; more, if the productive power rise, fewer, if it fall. The same change in productive power, which increases the fruitfulness of labour, and, in consequence, the quantity of use-values produced by that labour, will diminish the total value of this increased quantity of use-values, provided such change shorten the total labour-time necessary for their production; and *vice versâ*.

On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, its character of concrete useful labour, it produces use-values. [16]

Karl Marx, Capital Volume One, 1867 Part I: Commodities and Money

Chapter Two: Exchange

It is plain that commodities cannot go to market and make exchanges of their own account. We must, therefore, have recourse to their guardians, who are also their owners. Commodities are things, and therefore without power of resistance against man. If they are wanting in docility he can use force; in other words, he can take possession of them. [1] In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another, as persons whose will resides in those object, and must behave in such a way that each does not appropriate the commodity of the other, and part with his own, except by means of an act done by mutual consent. They must therefore, mutually recognise in each other the rights of private proprietors. This juridical relation, which thus expresses itself in a contract, whether such contract be part of a developed legal system or not, is a relation between two wills, and is but the reflex of the real economic relation between the two. It is this economic relation that determines the subject-matter comprised in each such juridical act. [2]

The persons exist for one another merely as representatives of, and, therefore, as owners of, commodities. In the course of our investigation we shall find, in general, that the characters who appear on the economic stage are but the personifications of the economic relations that exist between them.

What chiefly distinguishes a commodity from its owner is the fact that it looks upon every other commodity as but the form of appearance of its own value. A born leveller and a cynic, it is always ready to exchange not only soul, but body, with any and every other commodity, be the same more repulsive than Maritornes herself.

The owner makes up for this lack in the commodity of a sense of the concrete, by his own five and more senses. His commodity possesses for himself no immediate use-value. Otherwise, he would not bring it to the market. It has use-value for others; but for himself its only direct use-value is that of being a depository of exchange-value, and, consequently, a means of exchange.[3] Therefore, he makes up his mind to part with it for commodities whose value in use is of service to him. All commodities are non-use-values for their owners, and use-values for their non-owners. Consequently, they must all change hands. But this change of hands is what constitutes their exchange, and the latter puts them in relation with each other as values, and realises them as values. Hence commodities must be realised as values before they can be realised as use-values.

On the other hand, they must show that they are use-values before they can be realised as values. For the labour spent upon them counts effectively, only in so far as it is spent in a form that is useful for others. Whether that labour is useful for others, and its product consequently capable of satisfying the wants of others, can be proved only by the act of exchange.

Every owner of a commodity wishes to part with it in exchange only for those commodities whose use-value satisfies some want of his. Looked at in this way, exchange is for him simply a private transaction. On the other hand, he desires to realise the value of his commodity, to convert it into any other suitable commodity of equal value, irrespective of whether his own commodity has or has not any use-value for the owner of the other. From this point of view, exchange is for him a social transaction of a general character. But one and the same set of transactions cannot be simultaneously for all owners of commodities both exclusively private and exclusively social and general.

Let us look at the matter a little closer. To the owner of a commodity, every other commodity is, in regard to his own, a particular equivalent, and consequently his own commodity is the universal equivalent for all the others. But since this applies to every owner, there is, in fact, no commodity acting as universal equivalent, and the relative value of commodities possesses no general form under which they can be equated as values and have the magnitude of their values compared. So far, therefore, they do not confront each other as commodities, but only as products or use-values. In their difficulties our commodity owners think like Faust: "Im Anfang war die That." [“In the beginning was the Deed”] They therefore acted and transacted before they thought. Instinctively they conform to the laws imposed by the nature of commodities. They cannot bring their commodities into relation as values, and therefore as commodities, except by comparing them with some one other commodity as the universal equivalent. That we saw from the analysis of a commodity. But a particular commodity cannot become the universal equivalent except by a social act. The social action therefore of all other commodities, sets

apart the particular commodity in which they all represent their values. Thereby the bodily form of this commodity becomes the form of the socially recognised universal equivalent. To be the universal equivalent, becomes, by this social process, the specific function of the commodity thus excluded by the rest. Thus it becomes—money. "Illi unum consilium habent et virtutem et potestatem suam bestiae tradunt. Et ne quis possit emere aut vendere, nisi qui habet characterem aut nomen bestiae aut numerum nominis ejus." (*Apocalypse*.)

Money is a crystal formed of necessity in the course of the exchanges, whereby different products of labour are practically equated to one another and thus by practice converted into commodities. The historical progress and extension of exchanges develops the contrast, latent in commodities, between use-value and value. The necessity for giving an external expression to this contrast for the purposes of commercial intercourse, urges on the establishment of an independent form of value, and finds no rest until it is once for all satisfied by the differentiation of commodities into commodities and money. At the same rate, then, as the conversion of products into commodities is being accomplished, so also is the conversion of one special commodity into money.[4]

The direct barter of products attains the elementary form of the relative expression of value in one respect, but not in another. That form is x Commodity A = y Commodity B. The form of direct barter is x use-value A = y use-value B.[5] The articles A and B in this case are not as yet commodities, but become so only by the act of barter. The first step made by an object of utility towards acquiring exchange-value is when it forms a non-use-value for its owner, and that happens when it forms a superfluous portion of some article required for his immediate wants. Objects in themselves are external to man, and consequently alienable by him. In order that this alienation may be reciprocal, it is only necessary for men, by a tacit understanding, to treat each other as private owners of those alienable objects, and by implication as independent individuals. But such a state of reciprocal independence has no existence in a primitive society based on property in common, whether such a society takes the form of a patriarchal family, an ancient Indian community, or a Peruvian Inca State. The exchange of commodities, therefore, first begins on the boundaries of such communities, at their points of contact with other similar communities, or with members of the latter. So soon, however, as products once become commodities in the external relations of a community, they also, by reaction, become so in its internal intercourse. The proportions in which they are exchangeable are at first quite a matter of chance. What makes them exchangeable is the mutual desire of their owners to alienate them. Meantime the need for foreign objects of utility gradually establishes itself. The constant repetition of exchange makes it a normal social act. In the course of time, therefore, some portion at least of the products of labour must be produced with a special view to exchange. From that moment the distinction becomes firmly established between

the utility of an object for the purposes of consumption, and its utility for the purposes of exchange. Its use-value becomes distinguished from its exchange-value. On the other hand, the quantitative proportion in which the articles are exchangeable, becomes dependent on their production itself. Custom stamps them as values with definite magnitudes.

In the direct barter of products, each commodity is directly a means of exchange to its owner, and to all other persons an equivalent, but that only in so far as it has use-value for them. At this stage, therefore, the articles exchanged do not acquire a value-form independent of their own use-value, or of the individual needs of the exchangers. The necessity for a value-form grows with the increasing number and variety of the commodities exchanged. The problem and the means of solution arise simultaneously. Commodity-owners never equate their own commodities to those of others, and exchange them on a large scale, without different kinds of commodities belonging to different owners being exchangeable for, and equated as values to, one and the same special article. Such last-mentioned article, by becoming the equivalent of various other commodities, acquires at once, though within narrow limits, the character of a general social equivalent. This character comes and goes with the momentary social acts that called it into life. In turns and transiently it attaches itself first to this and then to that commodity. But with the development of exchange it fixes itself firmly and exclusively to particular sorts of commodities, and becomes crystallised by assuming the money-form. The particular kind of commodity to which it sticks is at first a matter of accident. Nevertheless there are two circumstances whose influence is decisive. The money-form attaches itself either to the most important articles of exchange from outside, and these in fact are primitive and natural forms in which the exchange-value of home products finds expression; or else it attaches itself to the object of utility that forms, like cattle, the chief portion of indigenous alienable wealth. Nomad races are the first to develop the money-form, because all their worldly goods consist of moveable objects and are therefore directly alienable; and because their mode of life, by continually bringing them into contact with foreign communities, solicits the exchange of products. Man has often made man himself, under the form of slaves, serve as the primitive material of money, but has never used land for that purpose. Such an idea could only spring up in a bourgeois society already well developed. It dates from the last third of the 17th century, and the first attempt to put it in practice on a national scale was made a century afterwards, during the French bourgeois revolution.

In proportion as exchange bursts its local bonds, and the value of commodities more and more expands into an embodiment of human labour in the abstract, in the same proportion the character of money attaches itself to commodities that are by Nature fitted to perform the social function of a universal equivalent. Those commodities are the precious metals.

The truth of the proposition that, "although gold and silver are not by Nature money, money is by Nature gold and silver,"[6] is shown by the fitness of the physical properties of these metals for the functions of money.[7] Up to this point, however, we are acquainted only with one function of money, namely, to serve as the form of manifestation of the value of commodities, or as the material in which the magnitudes of their values are socially expressed. An adequate form of manifestation of value, a fit embodiment of abstract, undifferentiated, and therefore equal human labour, that material alone can be whose every sample exhibits the same uniform qualities. On the other hand, since the difference between the magnitudes of value is purely quantitative, the money commodity must be susceptible of merely quantitative differences, must therefore be divisible at will, and equally capable of being reunited. Gold and silver possess these properties by Nature.

The use-value of the money-commodity becomes two-fold. In addition to its special use-value as a commodity (gold, for instance, serving to stop teeth, to form the raw material of articles of luxury, &c.), it acquires a formal use-value, originating in its specific social function.

Since all commodities are merely particular equivalents of money, the latter being their universal equivalent, they, with regard to the latter as the universal commodity, play the parts of particular commodities. [8]

We have seen that the money-form is but the reflex, thrown upon one single commodity, of the value relations between all the rest. That money is a commodity [9] is therefore a new discovery only for those who, when they analyse it, start from its fully developed shape. The act of exchange gives to the commodity converted into money, not its value, but its specific value-form. By confounding these two distinct things some writers have been led to hold that the value of gold and silver is imaginary. [10] The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that other mistaken notion, that it is itself a mere symbol. Nevertheless under this error lurked a presentiment that the money-form of an object is not an inseparable part of that object, but is simply the form under which certain social relations manifest themselves. In this sense every commodity is a symbol, since, in so far as it is value, it is only the material envelope of the human labour spent upon it.[11] But if it be declared that the social characters assumed by objects, or the material forms assumed by the social qualities of labour under the régime of a definite mode of production, are mere symbols, it is in the same breath also declared that these characteristics are arbitrary fictions sanctioned by the so-called universal consent of mankind. This suited the mode of explanation in favour during the 18th century. Unable to account for the origin of the puzzling forms

assumed by social relations between man and man, people sought to denude them of their strange appearance by ascribing to them a conventional origin.

It has already been remarked above that the equivalent form of a commodity does not imply the determination of the magnitude of its value. Therefore, although we may be aware that gold is money, and consequently directly exchangeable for all other commodities, yet that fact by no means tells how much 10 lbs., for instance, of gold is worth. Money, like every other commodity, cannot express the magnitude of its value except relatively in other commodities. This value is determined by the labour-time required for its production, and is expressed by the quantity of any other commodity that costs the same amount of labour-time. [12] Such quantitative determination of its relative value takes place at the source of its production by means of barter. When it steps into circulation as money, its value is already given. In the last decades of the 17th century it had already been shown that money is a commodity, but this step marks only the infancy of the analysis. The difficulty lies, not in comprehending that money is a commodity, but in discovering how, why, and by what means a commodity becomes money. [13]

We have already seen, from the most elementary expression of value, x commodity A = y commodity B, that the object in which the magnitude of the value of another object is represented, appears to have the equivalent form independently of this relation, as a social property given to it by Nature. We followed up this false appearance to its final establishment, which is complete so soon as the universal equivalent form becomes identified with the bodily form of a particular commodity, and thus crystallised into the money-form. What appears to happen is, not that gold becomes money, in consequence of all other commodities expressing their values in it, but, on the contrary, that all other commodities universally express their values in gold, because it is money. The intermediate steps of the process vanish in the result and leave no trace behind. Commodities find their own value already completely represented, without any initiative on their part, in another commodity existing in company with them. These objects, gold and silver, just as they come out of the bowels of the earth, are forthwith the direct incarnation of all human labour. Hence the magic of money. In the form of society now under consideration, the behaviour of men in the social process of production is purely atomic. Hence their relations to each other in production assume a material character independent of their control and conscious individual action. These facts manifest themselves at first by products as a general rule taking the form of commodities. We have seen how the progressive development of a society of commodity-producers stamps one privileged commodity with the character of money. Hence the riddle presented by money is but the riddle presented by commodities; only it now strikes us in its most glaring form.

Money

Section 1: The Measure of Values

Throughout this work, I assume, for the sake of simplicity, gold as the money-commodity.

The first chief function of money is to supply commodities with the material for the expression of their values, or to represent their values as magnitudes of the same denomination, qualitatively equal, and quantitatively comparable. It thus serves as a *universal measure of value*. And only by virtue of this function does gold, the equivalent commodity *par excellence*, become money.

It is not money that renders commodities commensurable. Just the contrary. It is because all commodities, as values, are realised human labour, and therefore commensurable, that their values can be measured by one and the same special commodity, and the latter be converted into the common measure of their values, *i.e.*, into money. Money as a measure of value, is the phenomenal form that must of necessity be assumed by that measure of value which is immanent in commodities, labour-time. [1].

The expression of the value of a commodity in gold — *x* commodity A = *y* money-commodity — is its money-form or price. A single equation, such as 1 ton of iron = 2 ounces of gold, now suffices to express the value of the iron in a socially valid manner. There is no longer any need for this equation to figure as a link in the chain of equations that express the values of all other commodities, because the equivalent commodity, gold, now has the character of money. The general form of relative value has resumed its original shape of simple or isolated relative value. On the other hand, the expanded expression of relative value, the endless series of equations, has now become the form peculiar to the relative value of the money-commodity. The series itself, too, is now given, and has social recognition in the prices of actual commodities. We have only to read the quotations of a price-list backwards, to find the magnitude of the value of money expressed in all sorts of commodities. But money itself has no price. In order to put it on an equal footing with all other commodities in this respect, we should be obliged to equate it to itself as its own equivalent.

The price or money-form of commodities is, like their form of value generally, a form quite distinct from their palpable bodily form; it is, therefore, a purely ideal or mental form. Although invisible, the value of iron, linen and corn has actual existence in these very articles: it is ideally made perceptible by their equality with gold, a relation that, so to say, exists only in their own heads. Their owner must, therefore, lend them his tongue, or hang a ticket on them, before their prices can be communicated to the outside world. [2]. Since the expression of the value of commodities in gold is a merely ideal act, we may use for this purpose imaginary or ideal money. Every trader knows, that he is far from having turned his goods into money, when he has expressed their value in a price or in imaginary money, and that it does not require the least bit of real gold, to estimate in that metal millions of pounds' worth of goods. When, therefore, money serves as a measure of value; it is employed only as imaginary or ideal money. This circumstance has given rise to the wildest theories. [3]. But, although the money that performs the functions of a measure of value is only ideal money, price depends entirely upon the actual substance that is money. The value, or in other words, the quantity of human labour contained in a ton of iron, is expressed in imagination by such a quantity of the money-commodity as contains the same amount of labour as the iron. According, therefore, as the measure of value is gold, silver, or copper, the value of the ton of iron will be expressed by very different prices, or will be represented by very different quantities of those metals respectively.

If, therefore, two different commodities, such as gold and silver, are simultaneously measures of value, all commodities have two prices — one a gold-price, the other a silver-price. These exist quietly side by side, so long as the ratio of The value of silver to that of gold remains unchanged, say, at 15:1. Every change in their ratio disturbs the ratio which exists between the gold-prices and the silver-prices of commodities, and thus proves, by facts, that a double standard of value is inconsistent with the functions of a standard. [4].

Commodities with definite prices present themselves under the form; *a* commodity A = x gold; *b* commodity B = z gold; *c* commodity C = y gold, *&c*., where *a*, *b*, *c*, represent definite quantities of the commodities A, B, C and x, z, y, definite quantities of gold. The values of these commodities are, therefore, changed in imagination into so many different quantities of gold. Hence, in spite of the confusing variety of the commodities themselves, their values become magnitudes of the same denomination, gold-magnitudes. They are now capable of being compared with each other and measured, and the want becomes technically felt of comparing them with some fixed quantity of gold as a unit measure. This unit, by subsequent division into aliquot parts, becomes itself the standard or scale. Before they become money, gold, silver, and copper already possess such standard measures in their standards of weight, so that, for example, a pound weight, while serving as the unit, is, on the one hand, divisible into ounces, and, on the other,

may be combined to make up hundredweights. [5]. It is owing to this that, in all metallic currencies, the names given to the standards of money or of price were originally taken from the pre-existing names of the standards of weight.

As *measure of Value*, and as *standard of price*, money has two entirely distinct functions to perform. It is the measure of value inasmuch as it is the socially recognised incarnation of human labour; it is the standard of price inasmuch as it is a fixed weight of metal. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. The measure of values measures commodities considered as values; the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another. In order to make gold a standard of price, a certain weight must be fixed upon as the unit. In this case, as in all cases of measuring quantities of the same denomination, the establishment of an unvarying unit of measure is all-important. Hence, the less the unit is subject to variation, so much the better does the standard of price fulfil its office. But only in so far as it is itself a product of labour, and, therefore, potentially variable in value, can gold serve as a measure of value. [6].

It is, in the first place, quite clear that a change in the value of gold does not, in any way, affect its function as a standard of price. No matter how this value varies, the proportions between the values of different quantities of the metal remain constant. However great the fall in its value, 12 ounces of gold still have 12 times the value of 1 ounce; and in prices, the only thing considered is the relation between different quantities of gold. Since, on the other hand, no rise or fall in the value of an ounce of gold can alter its weight, no alteration can take place in the weight of its aliquot parts. Thus gold always renders the same service as an invariable standard of price, however much its value may vary.

In the second place, a change in the value of gold does not interfere with its functions as a measure of value. The change affects all commodities simultaneously, and, therefore, *caeteris paribus*, leaves their relative values *inter se*, unaltered, although those values are now expressed in higher or lower gold-prices.

Just as when we estimate the value of any commodity by a definite quantity of the use-value of some other commodity, so in estimating the value of the former in gold, we assume nothing more than that the production of a given quantity of gold costs, at the given period, a given amount of labour. As regards the fluctuations of prices generally, they are subject to the laws of elementary relative value investigated in a former chapter.

A general rise in the prices of commodities can result only, either from a rise in their values — the value of money remaining constant — or from a fall in the value of money, the values of commodities remaining constant. On the other hand, a general fall in prices can result only, either from a fall in the values of commodities — the value of money remaining constant — or from a rise in the value of money, the values of commodities remaining constant. It therefore by no means follows, that a rise in the value of money necessarily implies a proportional fall in the prices of commodities; or that a fall in the value of money implies a proportional rise in prices. Such change of price holds good only in the case of commodities whose value remains constant. With those, for example, whose value rises, simultaneously with, and proportionally to, that of money, there is no alteration in price. And if their value rise either slower or faster than that of money, the fall or rise in their prices will be determined by the difference between the change in their value and that of money; and so on.

Let us now go back to the consideration of the price-form.

By degrees there arises a discrepancy between the current moneynames of the various weights of the precious metal figuring as money, and the actual weights which those names originally represented. This discrepancy is the result of historical causes, among which the chief are: — (1) The importation of foreign money into an imperfectly developed community. This happened in Rome in its early days, where gold and silver coins circulated at first as foreign commodities. The names of these foreign coins never coincide with those of the indigenous weights. (2) As wealth increases, the less precious metal is thrust out by the more precious from its place as a measure of value, copper by silver, silver by gold, however much this order of sequence may be in contradiction with poetical chronology. [7]. The word pound, for instance, was the money-name given to an actual pound weight of silver. When gold replaced silver as a measure of value, the same name was applied according to the ratio between the values of silver and gold, to perhaps 1-15th of a pound of gold. The word pound, as a money-name, thus becomes differentiated from the same word as a weight-name. [8]. (3) The debasing of money carried on for centuries by kings and princes to such an extent that, of the original weights of the coins, nothing in fact remained but the names. [9].

These historical causes convert the separation of the money-name from the weight-name into an established habit with the community. Since the standard of money is on the one hand purely conventional, and must on the other hand find general acceptance, it is in the end regulated by law. A given weight of one of the precious metals, an ounce of gold, for instance, becomes officially divided into aliquot parts, with legally bestowed names, such as pound, dollar, &c. These aliquot parts, which thenceforth serve as units of money, are then subdivided into other aliquot parts with legal names, such as shilling, penny, &c. [10]. But, both before and after these

divisions are made, a definite weight of metal is the standard of metallic money. The sole alteration consists in the subdivision and denomination.

The prices, or quantities of gold, into which the values of commodities are ideally changed, are therefore now expressed in the names of coins, or in the legally valid names of the subdivisions of the gold standard. Hence, instead of saying: A quarter of wheat is worth an ounce of gold; we say, it is worth £3 17s. 10 1/2d. In this way commodities express by their prices how much they are worth, and money serves as *money of account* whenever it is a question of fixing the value of an article in its money-form. [11].

The name of a thing is something distinct from the qualities of that thing. I know nothing of a man, by knowing that his name is Jacob. In the same way with regard to money, every trace of a value-relation disappears in the names pound, dollar, franc, ducat, &c. The confusion caused by attributing a hidden meaning to these cabalistic signs is all the greater, because these money-names express both the values of commodities, and, at the same time, aliquot parts of the weight of the metal that is the standard of money. [12]. On the other hand, it is absolutely necessary that value, in order that it may be distinguished from the varied bodily forms of commodities, should assume this material and unmeaning, but, at the same time, purely social form. [13].

Price is the money-name of the labour realised in a commodity. Hence the expression of the equivalence of a commodity with the sum of money constituting its price, is a tautology, [14]. just as in general the expression of the relative value of a commodity is a statement of the equivalence of two commodities. But although price, being the exponent of the magnitude of a commodity's value, is the exponent of its exchange-ratio with money, it does not follow that the exponent of this exchange-ratio is necessarily the exponent of the magnitude of the commodity's value. Suppose two equal quantities of socially necessary labour to be respectively represented by 1 quarter of wheat and £2 (nearly 1/2 oz. of gold), £2 is the expression in money of the magnitude of the value of the quarter of wheat, or is its price. If now circumstances allow of this price being raised to £3, or compel it to be reduced to £1, then although £1 and £3 may be too small or too great properly to express the magnitude of the wheat's value; nevertheless they are its prices, for they are, in the first place, the form under which its value appears, *i.e.*, money; and in the second place, the exponents of its exchange-ratio with money. If the conditions of production, in other words, if the productive power of labour remain constant, the same amount of social labour-time must, both before and after the change in price, be expended in the reproduction of a quarter of wheat. This circumstance depends, neither on the will of the wheat producer, nor on that of the owners of other commodities.

Magnitude of value expresses a relation of social production, it expresses the connexion that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it. As soon as magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange-ratio between a single commodity and another, the money-commodity. But this exchange-ratio may express either the real magnitude of that commodity's value, or the quantity of gold deviating from that value, for which, according to circumstances, it may be parted with. The possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-form itself. This is no defect, but, on the contrary, admirably adapts the price-form to a mode of production whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another.

The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, *i.e.*, between the former and its expression in money, but it may also conceal a qualitative inconsistency, so much so, that, although money is nothing but the value-form of commodities, price ceases altogether to express value. Objects that in themselves are no commodities, such as conscience, honour, &c., are capable of being offered for sale by their holders, and of thus acquiring, through their price, the form of commodities. Hence an object may have a price without having value. The price in that case is imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may sometimes conceal either a direct or indirect real value-relation; for instance, the price of uncultivated land, which is without value, because no human labour has been incorporated in it.

Price, like relative value in general, expresses the value of a commodity *(e.g.*, a ton of iron), by stating that a given quantity of the equivalent *(e.g.*, an ounce of gold), is directly exchangeable for iron. But it by no means states the converse, that iron is directly exchangeable for gold. In order, therefore, that a commodity may in practice act effectively as exchange-value, it must quit its bodily shape, must transform itself from mere imaginary into real gold, although to the commodity such transubstantiation may be more difficult than to the Hegelian "concept," the transition from "necessity" to "freedom," or to a lobster the casting of his shell, or to Saint Jerome the putting off of the old Adam. Though a commodity may, side by side with its actual form (iron, for instance), take in our imagination the form of gold, yet it cannot at one and the same time actually be both iron and gold. To fix its price, it suffices to equate it to gold in imagination. But to enable it to render to its owner the service of a universal equivalent, it must be actually replaced by gold. If the owner of the iron were to go to the owner of some other commodity offered for exchange, and were to refer him to the price of the iron as proof that it was

already money, he would get the same answer as St. Peter gave in heaven to Dante, when the latter recited the creed —

"Assad bene e trascorsa
D'esta moneta gia la lega e'l peso,
Ma dimmi se tu l'hai nella tua borsa."

A price therefore implies both that a commodity is exchangeable for money, and also that it must be so exchanged. On the other hand, gold serves as an ideal measure of value, only because it has already, in the process of exchange, established itself as the money-commodity. Under the ideal measure of values there lurks the hard cash.

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Chapter Three: Money, or the Circulation of Commodities

Money

Section 3: The Measure of Values

Section 3 — Money
A. Hoarding

The commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation, is money. Gold (or silver) is therefore money. It functions as money, on the one hand, when it has to be present in its own golden person. It is then the money-commodity, neither merely ideal, as in its function of a measure of value, nor capable of being represented, as in its function of circulating medium. On the other hand, it also functions as money, when by virtue of its function, whether that function be performed in person or by representative, it congeals into the sole form of value, the only adequate form of existence of exchange-value, in opposition to use-value, represented by all other commodities.

A. Hoarding

The continual movement in circuits of the two antithetical metamorphoses of commodities, or the never ceasing alternation of sale and purchase, is reflected in the restless currency of money, or in the function that money performs of a *perpetuum mobile* of circulation. But so soon as the series of metamorphoses is interrupted, so soon as sales are not supplemented by subsequent purchases, money ceases to be mobilised; it is transformed, as Boisguillebert says, from "meuble" into "immeuble", from movable into immovable, from coin into money.

With the very earliest development of the circulation of commodities, there is also developed the necessity, and the passionate desire, to hold fast the product of the first metamorphosis. This product is the transformed shape of the commodity, or its gold-chrysalis. [39]. Commodities are thus sold not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim. The changed form of the commodity is thus prevented from functioning as its unconditionally alienable form, or as its merely transient money-form. The money becomes petrified into a hoard, and the seller becomes a hoarder of money.

In the early stages of the circulation of commodities, it is the surplus use-values alone that are converted into money. Gold and silver thus become of themselves social expressions for superfluity or wealth. This naive form of hoarding becomes perpetuated in those communities in which the traditional mode of production is carried on for the supply of a fixed and limited circle of home wants. It is thus with the people of Asia, and particularly of the East Indies. Vanderlint, who fancies that the prices of commodities in a country are determined by the quantity of gold and silver to be found in it, asks himself why Indian commodities are so cheap. Answer: Because the Hindus bury their money. From 1602 to 1734, he remarks, they buried 150 millions of pounds sterling of silver, which originally came from America to Europe. [40]. In the 10 years from 1856 to 1866, England exported to India and China £120,000,000 in silver, which had been received in exchange for Australian gold. Most of the silver exported to China makes its way to India.

As the production of commodities further develops, every producer of commodities is compelled to make sure of the nexus rerum or the social pledge. [41]. His wants are constantly making themselves felt, and necessitate the continual purchase of other people's commodities, while the production and sale of his own goods require time, and depend upon circumstances. In order then to be able to buy without selling, he must have sold previously without buying. This operation, conducted on a general scale, appears to imply a contradiction. But the precious metals at the sources of their production are directly exchanged for other commodities. And here we have sales (by the owners of commodities) without purchases (by the owners of gold or silver). [42]. And subsequent sales, by other producers, unfollowed by purchases, merely bring about the distribution of the

newly produced precious metals among all the owners of commodities. In this way, all along the line of exchange, hoards of gold and silver of varied extent are accumulated. With the possibility of holding and storing up exchange-value in the shape of a particular commodity, arises also the greed for gold. Along with the extension of circulation, increases the power of money, that absolutely social form of wealth ever ready for use. "Gold is a wonderful thing! Whoever possesses it is lord of all he wants. By means of gold one can even get souls into Paradise." (Columbus in his letter from Jamaica, 1503.) Since gold does not disclose what has been transformed into it, everything, commodity or not, is convertible into gold. Everything becomes saleable and buyable. The circulation becomes the great social retort into which everything is thrown, to come out again as a gold-crystal. Not even are the bones of saints, and still less are more delicate res sacrosanctae, extra commercium hominum able to withstand this alchemy. [43]. Just as every qualitative difference between commodities is extinguished in money, so money, on its side, like the radical leveller that it is, does away with all distinctions. [43a]. But money itself is a commodity, an external object, capable of becoming the private property of any individual. Thus social power becomes the private power of private persons. The ancients therefore denounced money as subversive of the economic and moral order of things. [43b]. Modern society, which, soon after its birth, pulled Plutus by the hair of his head from the bowels of the earth, [44] greets gold as its Holy Grail, as the glittering incarnation of the very principle of its own life.

A commodity, in its capacity of a use-value, satisfies a particular want, and is a particular element of material wealth. But the value of a commodity measures the degree of its attraction for all other elements of material wealth, and therefore measures the social wealth of its owner. To a barbarian owner of commodities, and even to a West-European peasant, value is the same as value-form, and therefore to him the increase in his hoard of gold and silver is an increase in value. It is true that the value of money varies, at one time in consequence of a variation in its own value, at another, in consequence of a change in the values of commodities. But this, on the one hand, does not prevent 200 ounces of gold from still containing more value than 100 ounces, nor, on the other hand, does it hinder the actual metallic form of this article from continuing to be the universal equivalent form of all other commodities, and the immediate social incarnation of all human labour. The desire after hoarding is in its very nature unsatiable. In its qualitative aspect, or formally considered, money has no bounds to its efficacy, *i.e.*, it is the universal representative of material wealth, because it is directly convertible into any other commodity. But, at the same time, every actual sum of money is limited in amount, and, therefore, as a means of purchasing, has only a limited efficacy. This antagonism between the quantitative limits of money and its qualitative boundlessness, continually acts as a spur to the hoarder in his Sisyphus-like labour of accumulating. It is with him as it is with a conqueror who sees in every new country annexed, only a new boundary.

In order that gold may be held as money, and made to form a hoard, it must be prevented from circulating, or from transforming itself into a means of enjoyment. The hoarder, therefore, makes a sacrifice of the lusts of the flesh to his gold fetish. He acts in earnest up to the Gospel of abstention. On the other hand, he can withdraw from circulation no more than what he has thrown into it in the shape of commodities. The more he produces, the more he is able to sell. Hard work, saving, and avarice are, therefore, his three cardinal virtues, and to sell much and buy little the sum of his political economy. [45.

By the side of the gross form of a hoard, we find also its aesthetic form in the possession of gold and silver articles. This grows with the wealth of civil society. "Soyons riches ou paraissons riches" (Diderot).

In this way there is created, on the one hand, a constantly extending market for gold and silver, unconnected with their functions as money, and, on the other hand, a latent source of supply, to which recourse is had principally in times of crisis and social disturbance.

Hoarding serves various purposes in the economy of the metallic circulation. Its first function arises out of the conditions to which the currency of gold and silver coins is subject. We have seen how, along with the continual fluctuations in the extent and rapidity of the circulation of commodities and in their prices, the quantity of money current unceasingly ebbs and flows. This mass must, therefore, be capable of expansion and contraction. At one time money must be attracted in order to act as circulating coin, at another, circulating coin must be repelled in order to act again as more or less stagnant money. In order that the mass of money, actually current, may constantly saturate the absorbing power of the circulation, it is necessary that the quantity of gold and silver in a country be greater than the quantity required to function as coin. This condition is fulfilled by money taking the form of hoards. These reserves serve as conduits for the supply or withdrawal of money to or from the circulation, which in this way never overflows its banks. [46].

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